

JOINT PIPELINE OFFICE

Audit Report

**Compliance and Effectiveness of Alyeska Pipeline Service Company's
Program to Implement the Alaska Native Utilization Agreement
of October 20, 1995**

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Executive Summary

The 1974 Federal Grant of Right-of-Way contains a provision (Section 29) requiring the Trans-Alaska Pipeline System (TAPS) permittees to enter into an Agreement with the Secretary of Interior **"... regarding recruitment, testing, training, placement, employment, and job counseling of Alaska Natives."** This was designed to secure full participation by Alaska Natives in Alaska's burgeoning oil and gas industry. This Agreement helped secure a route for the pipeline unencumbered by Alaska Native land selections.

The Plan of Action approved by the Department of Interior required Alyeska to provide 3,500 training or employment opportunities to Alaska Natives during the TAPS construction period. Alyeska further committed that a minimum of 2,470 individual Alaska Natives would be utilized in fulfilling the overall 3,500 training or employment opportunities.

During the operational phase of the pipeline, Alyeska stated that their objective was to train and employ Alaska Natives so that within two years of start-up Alaska Natives would occupy a percentage of jobs at least equivalent to their proportionate share of the total population of the State of Alaska. That percentage was then estimated to be 20 percent. The Plan of Action was subsequently revised by Alyeska in 1976 to reduce the Alaska Native employment goal to 16 percent; however, this revision was never approved by the Department of Interior.

Over 5,770 individual Alaska Natives were ultimately hired to work on TAPS during construction. These individuals worked on 15,047 different jobs. In the years following construction from 1978 through 1994, Alaska Native employment on TAPS slipped to less than five percent.

On October 20, 1995 Alyeska Pipeline Service Company and the U.S. Department of Interior signed an agreement designed to remedy past under-employment of Alaska Natives on the Trans-Alaska Pipeline System. The Agreement calls for specific actions by Alyeska and its contractors to enhance training, education, employment and related activities to increase the number of Alaska Natives able to more fully participate in TAPS-related employment in Alaska

On September 30, 1997 the Joint Pipeline Office (JPO) completed an audit of the Alyeska Pipeline Service Company Section 29 Program. The audit was conducted to determine if Alyeska's Program is in compliance with the October 1995 Agreement and to assess its effectiveness in achieving the goals and intent of the Agreement. The audit also identifies potential measures to improve Alyeska's performance related to Alaska Native training and hiring.

The results of JPO's evaluation provides an early assessment of Alyeska's progress and will serve as a baseline against which future efforts by Alyeska and its contractors can be compared. The audit was conducted now so that issues or concerns of importance could be identified by the JPO and acted upon by Alyeska before December 1998, the end of the first formal three-year review period described in the Agreement.

The audit yielded 42 Findings which indicate compliance or require corrective action by Alyeska. Most of the **Findings** relate to areas which could be improved. **Major Findings** include:

- Alyeska is in compliance with the major terms of the Agreement. Overall Alyeska leadership and management policies have markedly changed to reflect acceptance of the Section 29 commitments in the Federal Grant.
- Alaska Native hiring during the current Alyeska reorganization reflects a strong commitment by current Alyeska leadership to the goals of the program. By the second quarter of this year, Alaska Native employment in every job category (except Technician) had increased, in the face of down-sizing efforts. However, Alyeska's goal of 20 percent Native participation by the year 2004 will require nearly tripling the current number of 68 Alaska Native employees.
- Alaska Natives are employed at all levels of Alyeska (not so for the Contractors), but are under-represented in the manager/supervisor, professional and technician job categories.
- There are inconsistencies in accounting for expenditures chargeable to the Section 29 Program and in reporting status of progress.
- Mentoring and cross-cultural awareness programs have not yet been put into place.
- Most Designated Contractors are working diligently to meet their employment goals and some (for example Doyon Universal Services and Tatitlek Chugach Corporation) have exceeded Alaska Native hire goals. Successful approaches used include alliances and partnerships with unions, training facilities, oil and gas industry firms, Native Corporations and non-profit organizations.
- Two contractors (Crowley Marine and Tidewater) are not currently required by Alyeska to participate in the Section 29 Program. JPO believes these companies are subject to the Agreement.
- There is a need for clearer Section 29 Program rules to guide both Alyeska internally and its contractors.

Among the audit **Recommendations** for improvement are:

- Alyeska should expand the Internship program and add other entry-level or "gateway" employment opportunities, such as Apprenticeships and Co-op Student programs.
- To ensure fair treatment, Alyeska and the Designated Contractors should establish consistent procedures for routinely verifying Alaska Native tribal enrollment status claimed by job

applicants.

- Alyeska should establish a clear link between scholarship funding and the expectation of future employment on TAPS or in Alaska's oil and gas industry.
- Alyeska should investigate vocation-education type opportunities for common job categories on TAPS.

The Audit Report provides a detailed account of the audit's background, scope and methodology, objectives, findings and recommendations. The audit is structured so that it parallels the structure of the 1995 Agreement.

Acknowledgments

The JPO Audit Team wishes to acknowledge Alyeska Pipeline Service Company employees who freely provided their views and information about the Section 29 Program. In the middle of a major reorganization, Alyeska employees gave the audit team their full attention and cooperation.

Ms. Pam Broady, Senior Executive Secretary at Alyeska was particularly helpful in providing information and copies of numerous documents from Alyeska's files. Ms. Clara Crosby of the JPO provided perspective and expert advice on the audit scope and plan and the draft report. Jerry Brossia, BLM Authorized Officer, and Gary Reimer, Deputy Authorized Officer, provided background information on the events leading to the 1995 Alaska Native Utilization Agreement, direction to the audit team, and comments on the draft report. Student Conservation Association Intern John Rodriguez and JPO staff assistant Linda Heitstumann provided assistance with the graphic illustrations in this report.

Chapter 1. Introduction

About This Report

This report presents the results of a Joint Pipeline Office audit of Alyeska Pipeline Service Company's Section 29 Program. The purpose of the audit was to:

- 1) Determine Alyeska's compliance with Section 29 of the Federal Agreement and Grant of Right-of-Way and the Alaska Native Utilization Agreement (Agreement) dated October 20, 1995; and
- 2) Assess the effectiveness of Alyeska's efforts to achieve the goals and intent of the Agreement, and to identify potential measures to improve Alyeska's performance related to employment, training and education of Alaska Natives.

This audit is one aspect of JPO's continuing oversight of Alyeska compliance with Section 29 of the Federal Agreement and Grant of Right-of-Way. The idea for the audit originated with JPO staff in late 1996 as a way to formally evaluate Alyeska's efforts in implementing the Agreement so that corrective actions could be undertaken, if needed, early in the first three-year cycle of the Agreement. The audit proposal was endorsed by the JPO Executive Council, which consists of the agency heads for JPO agencies.

Section 29 Background

One of the most controversial issues arising from discovery of oil on Alaska's North Slope and the proposed construction of the Trans-Alaska Pipeline System (TAPS) concerned Alaska Native land claims and the related question of Alaska Native employment. The need to resolve Alaska Native land claims and environmental issues resulted in passage of the Alaska Native Claims Settlement Act in 1971 and the Trans-Alaska Pipeline Authorization Act in 1973, which allowed pipeline construction to begin in 1975. The promise to the Alaska Native community was that Alaska Natives would share in the employment opportunities stemming from the construction and operation of TAPS.

Section 29 (see Appendix A) of the 1974 Federal Agreement and Grant of Right-of-Way requires the Permittees (TAPS owners) to enter into a separate agreement with the Secretary of the Interior regarding recruitment, testing, training, placement, employment, and job counseling of Alaska Natives. Section 29 requires the Permittees to conduct a pre-employment and on-the-job training program for Alaska Natives designed to qualify them for initial employment in connection with construction of the pipeline system, and for advancement to higher paying positions during the operation of the pipeline. Section 29 further requires the Permittees to provide reports and information concerning Alaska Native employment to the Authorized Officer, and requires that the Authorized Officer be notified of the discharge from employment of each and every Alaska Native

and the reason for such discharge.

“Alaska Native organizations lobbied hard for a special minority hire provision that would focus on the aboriginal Natives of Alaska. The Secretary of the Interior allowed the specifics of Alaska Native involvement in the construction of the pipeline project to be worked out between the Alaska Federation of Natives and the Alyeska Pipeline Service Company. Subsequent negotiations between Alyeska and the Alaska Federation of Natives ultimately established what all parties seemed to agree was a fair allotment of jobs for Natives on the mammoth project.”¹

The culmination of those negotiations to implement Section 29 was the submittal by Alyeska of a “Plan of Action- Alaska Native Utilization” on January 14, 1974 and the signing of a Memorandum of Agreement by Alyeska and the Department of Interior on April 19, 1974. The Plan of Action approved by the Department of Interior, required Alyeska to provide 3,500 training or employment opportunities to Alaska Natives during the TAPS construction period. Alyeska further committed that a minimum of 2,470 individual Alaska Natives would be utilized in fulfilling the overall 3,500 training or employment opportunities.

During the operational phase of the pipeline, Alyeska stated that their objective was to train and employ Alaska Natives so that within two years of start-up, Alaska Natives would occupy a percentage of jobs at least equivalent to their proportionate share of the total population of the State of Alaska. That percentage was then estimated to be 20 percent. The Plan of Action was subsequently revised by Alyeska in 1976 to reduce the Alaska Native employment goal to 16 percent; however, this revision was never approved by the Department of Interior. The Plan of Action was again revised by Alyeska in 1979 but no record of the revision or Department of Interior approval was obtained as part of this audit.

Over 5,770 individual Alaska Natives were ultimately hired to work on TAPS during construction. These individual Alaska Natives worked on 15,047 different jobs.²

In the years following construction from 1978 through 1994 Alaska Native employment on TAPS slipped to less than five percent.

The 1995 Alaska Native Utilization Agreement

¹Larry L. Naylor and Lawrence A. Gooding, “Alaska Native Hire on the Trans-Alaska Oil Pipeline Project,” Alaska Review of Social and Economic Conditions vol 25, no 1 (February 1978), p. 1

²“The total of 5,770 Natives who worked on the TAPS over its 3-year construction period appears less remarkable when the number is viewed within the context of the amount of time Natives spent on the job. For example, 51.5% of all Natives hired worked for 8 weeks or less, and 25% worked only 2 weeks or less. On the other end of the spectrum, 0.4% worked the entire construction period (171 weeks) and 7.7 % worked longer than a year.” (Naylor & Gooding, 1978).

In early 1994, increased government interest in regulatory oversight of TAPS, coupled with various audits, elevated the importance of Section 29 compliance by Alyeska. An April 4, 1994 letter from Authorized Officer John Santora and State Pipeline Coordinator Jerry Brossia to Alyeska President David Pritchard, informed Alyeska of “a matter which we view as a serious breach of a long-standing agreement to provide recruiting and permanent placement for Alaska Natives.” The letter requested that Alyeska provide the Joint Pipeline Office with a plan to achieve full compliance with Section 29 of the Federal Agreement and Grant of Right-of-Way. The letter also recommended that a full-time Alaska Native employee of Alyeska should be responsible for revising and implementing the plan under Section 29.

In late 1994 and early 1995, a series of meetings and discussions were conducted and numerous drafts of an Alaska Native Utilization Agreement were prepared and circulated. The Bureau of Land Management requested that the Alaska Federation of Natives participate in discussions with Alyeska to help reach an agreement acceptable to the Alaska Native community.

These activities culminated in an Alaska Native Utilization Agreement being signed for the Department of Interior by Assistant Secretary Robert Armstrong and for Alyeska by then President David Pritchard on October 20, 1995. The Agreement was made pursuant to Section 29 to establish appropriately funded programs to increase Alaska Native employment, training and promotional opportunities, and was intended to “improve the effectiveness of the program employed by Alyeska to fulfill Alyeska’s obligations under Section 29.”

As required by the Agreement, Alyeska developed an Initial Plan of Implementation which was approved by the BLM Authorized Officer in April 1996. The Initial Plan of Implementation broadly describes activities and strategies to implement each section of the Agreement.

Chapter 2. Scope and Methodology

Audit Scope

This JPO audit was designed to assess Alyeska's compliance with Section 29 of the Federal Agreement and Grant of Right-of-Way and the Alaska Native Utilization Agreement. The audit evaluated Alyeska's performance since October 20, 1995 when the Alaska Native Utilization Agreement was signed. It examined issues related to TAPS employment of Alaska Natives: employment goals; recruiting and placement; training programs; developmental opportunities; Native employee support; measurement of progress; management and administration, including personnel and financial aspects; and the advisory board.

The audit evaluated Alyeska's and selected Designated Contractors' performance, and Alyeska's oversight of those contractors. Issues of particular interest include: a) where and how money is spent; b) implementation of the scholarship program; c) effect of Alyeska reorganization on Native employees; d) job advertisement and hiring process; e) the intern program; f) audits and oversight of the Section 29 Program; g) overall effectiveness of the Alaska Native Utilization Agreement in providing jobs; and h) roles of the Advisory Board and Blue Ribbon Panel.

Additionally, the audit assessed the effectiveness of Alyeska's efforts to achieve the goals and intent of the Alaska Native Utilization Agreement, and sought to identify potential measures to improve performance related to employment, training and education of Alaska Natives by Alyeska and its Designated Contractors. The JPO views this evaluation of effectiveness and resulting recommendations for improvement as more important and far-reaching than the simple issue of compliance.

Evaluation Objectives

The audit team developed specific evaluation objectives to assess Alyeska's Section 29 Program for both compliance and effectiveness.

Audit Methodology

The audit team used the following sequential process to conduct this audit of Alyeska's Section 29 Program:

- evaluated each section of the Alaska Native Utilization Agreement for significant and enforceable provisions;
- developed specific compliance and effectiveness objectives to evaluate each section of the agreement;
- developed specific audit questions and checklists based on objectives to test Alyeska's compliance with each section of the agreement;
- gathered objective evidence and other information by reviewing Alyeska files and

interviewing Alyeska and selected Designated Contractor personnel in Anchorage and Fairbanks;
subjective evidence gathered during interviews was used to develop conclusions and recommendations;
completed checklists in accordance with JPO procedures to document information obtained for the audit;
used information gathered from the files and interviews to assess the effectiveness of Alyeska's Section 29 Program as per evaluation criteria.

For purposes of this report, objective evidence is defined as, "Verifiable quantitative or qualitative observations, information, records, or statement of fact pertaining to an item or activity or to the existence and implementation of a process or procedure." In contrast, subjective evidence is based on perspective, feelings, opinions, or personal experience. The audit team used the information gathered during the evaluation to develop Findings and Recommendations. A **Finding** is "a statement based on objective and subjective evidence regarding compliance or noncompliance of a specific process, procedure or activity with established (written) requirements." A **Recommendation** is "a suggestion for improvement," requiring a written response from Alyeska.

The JPO audit team gathered background information and developed an audit plan in April 1997. The audit team did not evaluate every condition equally during the audit. Based on a prioritization and preliminary assessment of importance, the team conducted an evaluation of selected conditions contained in the Agreement. Alyeska files were reviewed and interviews conducted with Section 29 personnel and Designated Contractors in May through July 1997.

Chapter 3. Alaska Native Utilization Agreement- Introduction

Conditions Evaluated

Section 1 includes specific conditions related to: plans and procedures; submittal of an Initial Plan of Implementation to the BLM Authorized Officer; and annual prioritization to adjust the overall Section 29 Program. Alyeska's Initial Plan of Implementation contains commitments related to Section 1 of the Agreement including: October 31 will be used to annually measure progress toward employment goals; quarterly status reports will be used to measure progress of Alyeska and Designated Contractors; a communication strategy will be developed to help convey information to Alaska Natives about the opportunities available; and verbal and written feedback to enable Alyeska to gauge effectiveness of the communication strategy and to make improvements.

Results

Overall Compliance and Effectiveness of Alyeska's Section 29 Program- The JPO audit team reviewed Alyeska's Section 29 files and obtained copies of numerous documents to provide objective evidence to assess compliance with the Agreement. In addition, the audit team interviewed all Alyeska personnel involved with any aspect of the Section 29 Program and we spoke with representatives of five of the Designated Contractors, some members of the Section 29 Advisory Board, Blue Ribbon Scholarship Panel and Alaska Natives employed by Alyeska.

A simple statement about overall compliance with the Agreement is difficult to make. While Alyeska is not in compliance with every single technical requirement of the Agreement, JPO's audit team has determined that significant progress has been made, leading to an overall conclusion of compliance. Where deficiencies or recommendations for improvement are noted, Alyeska must provide a written plan to correct them for JPO approval.

During the audit, Alyeska was undergoing a reorganization and transition to three major business units (corporate, pipeline and terminal) which included a move for many employees to Fairbanks and Valdez. The reorganization presents an opportunity to assess Alyeska's commitment to hiring of Alaska Natives. Data comparing pre and post reorganization Alaska Native hiring status at Alyeska is presented in Table 3-1. Percentages of Alaska Natives went up in all categories, except one, which experienced a slight decrease.

Finding No. 1- Alyeska is in compliance with the majority of the important conditions of the Alaska Native Utilization Agreement and the commitments contained in the Initial Plan of Implementation.

Recommendation No. 1- While in overall compliance, there are a number of deficiencies and opportunities for improvement identified in this audit which must be addressed in a written response to the JPO by Alyeska. The Implementation Plan should be revised to

address the audit's findings and Recommendations.

Table 3-1. Alyeska Alaska Native Employee Hiring Profile For Reorganization as of 6/5/97						
Employment By Category	Total Employees Selected for Hire	Alaska Natives				
		Pre- Reorganization		Post-Reorganization		1997 Goal
		Total	Percent	Total	Percent	Percent
Management/ Supervisory (121)	111	1	0.8%	3	2.7%	7.0%
Professional (356)	289	17	4.8%	22	7.6%	7.0%
Technicians (380)	342	38	10.0%	32	9.4%	10.0%
Other Non- Exempt (95)	69	10	10.5%	17	15.9%	13.0%
Total Employees (952)	811	66	6.9%	68	8.4%	7.0%

Notes: 1) Numbers in column 1 are pre-reorganization data points;
 2) Total selected is the number of employees hired in reorganization as of 6/5/97;
 3) The total TAPS work force is projected to be 1,750 employees through 1998, which includes about 825 Alyeska employees and between 925 and 1,200 contractor employees.

Finding No. 2- The number of Alaska Natives hired during the recent (on-going) Alyeska reorganization provides direct evidence that current Alyeska leadership is committed to Section 29 compliance. However, Alyeska and its Designated Contractors still have a long way to go to reach the ultimate 20 percent Alaska Native employment goal by the year 2004, especially in the management/supervisory, entry level, and technician job categories. For example, if Alyeska was required to have 20 percent Alaska Native employment today, it would need approximately 186 Alaska Native employees instead of the 68 reported as a result of the reorganization (based on 929 Alyeska employees).

Recommendation No. 2- Alyeska and its owner companies should view the Section 29 Program as an opportunity to work together and with the rest of the Alaska oil and gas industry, including unions and training/educational institutions, and Alaska Native organizations to increase Alaska Native employment throughout the oil and gas industry. A broad Alaska oil and gas industry-wide approach which includes education and training, clearly leading to jobs would provide opportunities for Alaska Natives throughout the State. (Note: This recommendation is beyond the scope of the Federal grant of right-of-way, but is offered as an idea to help achieve the employment goals of Section 29.)

Section 29 Procedures- Alyeska has developed operating procedures and desk procedures to carry out the commitments contained in the Agreement. Copies of these procedures were obtained. A review of the operating procedures revealed that of fourteen procedures, four were prepared after the JPO audit was announced. A review of both the operating and desktop procedures indicates that many of the procedures developed specifically for the Section 29 Program do not provide sufficiently clear direction to Alyeska employees. While outside the scope of the JPO audit, the operating procedures do not appear to meet Alyeska Quality Program requirements (QA-36, PIP 5.3).

Initial Plan of Implementation (IPI)- The IPI was timely submitted to the BLM Authorized Officer for approval, and was subsequently approved on April 29, 1996. The IPI describes in broad detail the timing of various programs and commitments in the Agreement. The IPI was reviewed and compared with the terms and conditions of the Agreement and no inconsistencies were evident.

Annual Prioritization- The Agreement requires that the implementation of programs described by it be prioritized annually to adjust the Program to changing Alyeska work force requirements and the availability of Alaska Natives. The IPI established a date of October 31 to annually measure progress toward employment goals. The October 31 date was subsequently changed to December 31 with approval by JPO. The December 31 measurement of progress date will be in effect in 1997.

A March 4, 1995 letter from the BLM Alaska State Director to the President of Alyeska describes BLM expectations for the IPI, including the expectation that it be a "living" document, periodically updated in response to new information and events. Periodic review of the program for improvement does not appear yet to have been included in the IPI.

There does not appear to be a formal and regular process or procedure to make annual adjustments to the Section 29 Program. There is no objective evidence that Alyeska adjusted the programs under Section 29 to reflect Alyeska work force requirements and availability of the Alaska Native work force based on the October 31, 1996 measurement of progress date. However, informal adjustments did occur which reasonably could be expected with a new program. According to Alyeska personnel, adjustments were made to the scholarship process, the annual reporting date, and the frequency of newsletters (quarterly instead of monthly).

Finding No. 3- Alyeska does not have a formal and regular process or procedure to make annual adjustments to the Section 29 Program and the Implementation Plan.

Recommendation No. 3- Alyeska needs to incorporate a regular review and adjustment feature into the administration of the Program to reflect changes in a range of variables, including Alyeska work force requirements and availability of Alaska Natives for employment.

Status Reports- The IPI (section 1.1) states that quarterly status reports will be used to measure progress of Alyeska and Designated Contractors. Alyeska prepared quarterly status reports to report

on progress of Alyeska and Designated Contractors as required and provided them to the JPO. The November 25, 1996 letter from Alyeska titled "Section 29 Compliance Measurements to October 31, 1996" (the Annual Report) provides statistics regarding Alyeska and Designated Contractor employment of Alaska Natives.

Finding No. 4- The Annual Report does not evaluate or interpret the information, nor does it describe what actions Alyeska will take to modify or adjust the Program based on information gathered.

Recommendation No. 4- The Section 29 annual and quarterly status reports should add descriptions, evaluations, or interpretations of the statistical information presented, and actions Alyeska will take to modify or adjust the Section 29 Program based on information gathered. These reports provide frequent opportunities for Alyeska to make adjustments to meet the goals of the Agreement. The reports also provide frequent opportunities for Alyeska to report its progress to the JPO, Alaska Native community, and the public and to demonstrate its continuing commitment to employment of Alaska Natives.

Communication Strategy- The IPI (section 1.2) states that a communication strategy to help convey information to Alaska Natives about the opportunities available will be developed with a target of June 1996. Although no strategy, as such, was in place, evidence was obtained that much information about training, jobs and scholarships was conveyed to Alaska Natives by using informational brochures and by attending meetings and job fairs.

A review of Alyeska files indicates many meetings with rural and urban Alaska Native groups were held. Alyeska published brochures titled: "Resource Guide for Jobs on Taps" and, "Job Readiness for Alaska Native Youth." Alyeska developed a database of those organizations to which they mail Section 29 materials. However, the effectiveness of communicating job and other opportunities for Alaska Natives (both external and Alyeska employees) should be evaluated by Alyeska to identify opportunities for improvements. The point here is that the information may not be getting to those Alaska Natives who need it most. There is no evidence that verbal or written feedback was solicited.

Finding No. 5- Alyeska did not develop a formal strategy to communicate information to Alaska Natives about the opportunities available, nor did Alyeska solicit and evaluate input from target populations of Alaska Natives to gauge effectiveness of the communication strategy and make improvements. However, Alyeska did disseminate a great deal of job-related information to Alaska Natives.

Recommendation No. 5- Alyeska should develop a formal strategy to communicate information to Alaska Natives about available opportunities. An essential part of the communication strategy would include identifying the target population most likely to seek employment and developing a method to formally solicit and evaluate verbal and written feedback from target populations (both external to Alyeska and internal; e.g. employees and contractors) to gauge the effectiveness of communications and to make improvements.

In addition, Alyeska should regularly communicate information about the Section 29 Program to all of its employees, especially to managers. Informed employees are more likely to support the Program and will be more supportive of new Alaska Native employees. This communication is particularly important in light of the current Alyeska reorganization.

Chapter 4. Employment Goals

Conditions Evaluated

Section 2 of the Agreement describes the goals of Alyeska and its Designated Contractors¹ for employment of Alaska Natives. The ultimate goal is to increase by the year 2004, employment of Alaska Natives to 20 percent of the regular, full time positions in the combined TAPS work force² of Alyeska and its Designated Contractors. This goal is based on the original overall goal in the 1974 "Plan of Action-Alaska Native Utilization Agreement."

Section 2 of the Agreement includes specific conditions related to: employment of Alaska Natives at all levels of both Alyeska and Designated Contractor organizations; Alyeska will spend \$25 million to achieve the goals of the Agreement (to be spent at a rate of approximately \$2.1 million per year); Alyeska will spend \$750,000 on scholarships annually (part of the \$2.1 million); Designated Contractors must have Section 29 implementation plans. Section 2 establishes interim employment goals for Alaska Natives in Alyeska's own work force for four different job categories as follows:

	<u>1996</u>	<u>1997</u>
Managers / Supervisors.....	5 percent.....	7 percent
Professionals.....	5 percent.....	7 percent
Technicians.....	8 percent.....	10 percent
Clerical / Administrative.....	11 percent.....	13 percent

Results

NOTE: The following discussions of Alyeska and Designated Contractor employment goals are based on Alaska Native actual employment figures ONLY and do not consider education or training credits which are discussed in Chapter 9 of this report. When Alyeska or Designated Contractors do not reach employment goals for Alaska Natives, the Agreement allows for credits through scholarships and other means.

Alyeska Employment Goals- The ultimate goal of the Agreement is that Alyeska will increase employment of Alaska Natives to 20 percent by the year 2004 and that "Alaska Natives will be

¹"For purposes of the Agreement, a contractor shall be a Designated Contractor if that Contractor has at least 50 employees engaged full-time in work on TAPS within the State of Alaska under contract with Alyeska on a regular basis."

²The "combined TAPS work force" is defined in the Agreement as the total number of employees on the Alyeska payroll plus the total number of employees on the payrolls of the Designated Contractors performing work for Alyeska in Alaska measured on an agreed date each year (originally October 31 in 1996 but changed to December 31 for 1997).

employed at all levels throughout the Alyeska organization.” A table in section 2.1 of the Agreement lists interim goals for employment of Alaska Natives in four different job categories as a percentage of Alyeska’s own work force for the years 1996, 1997 and 1998. An evaluation of Alyeska’s performance related to actual employment of Alaska Natives was a primary focus of the JPO audit.

An inconsistency exists between the overall employment goals contained in Section 2 of the Initial Plan of Implementation and the job category goals in the Agreement. For example, if one were to use the “base work force”³ numbers and calculate the number Alaska Native employees needed to meet the job category goals for 1997, the overall percentage of Alaska Natives based on the sum of the job category numbers would be nine percent.⁴ This is in contrast to the overall percentage of seven percent Alaska Native employment contained in the Initial Plan of Implementation. Alyeska Section 29 personnel stated that Alyeska is managing toward the overall percentage goals contained in the Initial Plan of Implementation but they also aware of the job category goals and are using them as general guidelines.

One concern with the employment goals of both the Agreement and the Initial Plan of Implementation was that the rate of the Alyeska downsizing was more rapid than expected. The goals in the Agreement were determined using a base Alyeska work force of about 980 employees and 1,349 Designated Contractor employees for a total TAPS work force of about 2,308 employees. The latest projection as a result of the reorganization is about 810 Alyeska employees, 923 contractor jobs, and a total TAPS work force of about 1,733 jobs in 1997. This means that with about 575 fewer jobs in the total TAPS work force, there are far fewer job opportunities for Alaska Natives.

Alyeska’s 1996 overall hiring goal for Alaska Natives was 5 percent. As reported in the Alyeska Section 29 Fourth Quarter Status Report, Alyeska employed 5.59 percent Alaska Natives in 1996. Therefore the 1996 overall goal of 5 percent Alaska Native employment was exceeded. Based on the actual Alyeska work force of 956 employees through December 31, 1996 there were a total of

³The “base work force” is the number of jobs against which Alyeska measures progress regarding Alaska Native employment. The base work force number is selected at the end of the previous calendar year. Without consistent use of the base work force number, the number of Alaska Natives needed to meet a percentage goal would be a constantly moving target as the number of Alyeska jobs fluctuates during the year.

⁴The actual calculation is as follows: Managers/Supervisors- 1997 goal of 7%, base work force of 108 employees, 7% of 108 equals 8 Alaska Natives; Professional- 1997 goal of 7%, base work force of 353 employees, 7% of 353 equals 25 Alaska Natives; Technicians- 1997 goal of 10%, base work force of 386 employees, 10% of 386 equals 39 Alaska Natives; Clerical- 1997 goal of 13%, base work force of 93 employees, 13% of 93 equals 12 Alaska Natives; sum of 8+25+39+12 equals 84; 84 Alaska Natives as a percentage of the percentage of the sum of the base work force numbers for each job category (940) equals an overall percentage of 9% which contrasts with the 1997 overall percentage from the Initial Plan of Implementation of 7%.

68 Alaska Native employees.

As shown in Table 4-1, not counting the use of credits, Alyeska did not meet the 1996 goals in any job category and was 14.57 Alaska Native employees short of the 68 total needed. Adding the allowed credits, however, brings the total to 8.5 percent, exceeding the goal.

Table 4-1 indicates that Alaska Natives are employed at all levels of Alyeska but Alaska Natives are under-represented in the manager / supervisor job category in both 1996 and 1997 and the professional and technician categories in 1997.

A comparison of the 1996 and second quarter 1997 data provided by Alyeska shows progress has been made in employment of Alaska Natives. The actual number of Alaska Native employees increased by 3.58 and the percentage of Alaska Natives in the Alyeska work force increased by 0.54 percent.

Table 4-1. 1996 and 2nd Quarter 1997 Alyeska Alaska Native Work Force Status - Without Credits, Goals Would Not Be Met for Either 1996 or 1997 -										
Job Category (total 1996 vs 1997)	Actual # of Alaska Natives		% of Work Force		Goal %		Status of Goal			
							% of AK Native Emp needed to meet goal		# of AK Native Emp needed to meet goal	
	'96	'97	'96	'97	'96	'97	'96	'97	'96	'97
Manager / Supervisor (109 vs 134)	1.68	1.59	1 54%	1 19%	5%	7%	-3 46%	-5.81	-3.32	-6.41
Professional (356 vs 338)	14 98	17.53	4 20%	5.18%	5%	7%	-0.8%	-1 82	-3.02	-7 47
Technician (399 vs 366)	28.70	26.92	7.20%	7.35%	8%	10%	-0.8%	-2.65	-4 30	-12.08
Clerical (91 vs 91)	8.07	10.97	8.83%	12 05%	11%	13%	-2 17%	-0 95	-3 93	-1.03
Total or Overall (956 vs 929)	53.43	57.01	5.59%	6.13%	5%	7%	+0.59%	-0 87%	-14.57	-26.99

Notes: 1) 1996 figures are as of December 31, 1996. The prorated Alyeska work force reported was 956 employees and the goal was 68 Alaska Native employees. The source of the 1996 figures was Alyeska's Section 29 Fourth Quarter Status Report dated January 20, 1997. The base work force for 1996 was 980 employees

2) 1997 figures are as of June 30, 1997 and are from Alyeska's Section 29 Second Quarter Status Report dated July 25, 1997. The prorated Alyeska work force reported through June 30, 1997 was 929.46 employees and the goal was 84 Alaska Native employees. The base work force for 1997 was 940 employees.

Finding No. 6- Alyeska is managing toward overall percentage goals for Alaska Native employment which are contained in the Initial Plan of Implementation. These goals are inconsistent with the job category goals contained in the Agreement.

Recommendation No. 6- The initial Plan of Implementation needs to be modified to conform with the Agreement.

Finding No.7- Using the crediting system allowed under the Agreement, Alyeska met or exceeded the goals for Alaska Native employment in 1996 and so far in 1997. Recent data indicates that progress is being made in employment of Alaska Natives on TAPS, even in the face of a declining TAPS work force.

Recommendation No. 7- Alyeska should move away from reliance on the credits to meet the employment goals and focus on jobs.

Finding No. 8- Alaska Natives are employed at all levels of Alyeska but Alaska Natives are under-represented in the manager/supervisor, professional and technician job categories.

Recommendation No. 8- Alyeska needs to continue working toward balancing the employment in each job category.

Designated Contractor Employment Goals- An inconsistency in the Agreement is that at one point it states the goal is "Alaska Natives will be employed at all levels throughout both the Alyeska organization and its Designated Contractor organizations." However, at another point it states "Designated Contractors goals will be a lump percentage without regard to job categories." Alyeska holds contractors accountable for the overall percentage, although some of the individual contractor implementation plans have goals for job categories. A review of information received from five selected Designated Contractors indicates that Alaska Natives are employed primarily at the lower levels of these organizations, although some are in supervisory roles. Table 4-2 shows the total number and percentage of Alaska Native employees and those in supervisory or management roles at the five selected Designated Contractors.

Table 4-2. Selected Designated Contractors- Alaska Native Employees in Supervisory / Management Roles			
Designated Contractor	Number of Alaska Native Employees (as of June 30, 1997)	Number of Alaska Native Employees in Sup/Mgmt Roles	Percentage Alaska Native Employees in Sup/Mgmt Roles
CNTS	12.86	0	0%
Price/ Ahtna	27.0	1	3.7%

Table 4-2. Selected Designated Contractors- Alaska Native Employees in Supervisory / Management Roles			
Designated Contractor	Number of Alaska Native Employees (as of June 30, 1997)	Number of Alaska Native Employees in Sup/Mgmt Roles	Percentage Alaska Native Employees in Sup/Mgmt Roles
APC	23.0	1	4.3%
VECO Engineering	9.2	0	0%
Ahtna/ AGA	9.0	2	22.2%

Source: Alyeska Section 29 1997 Second Quarter Status Report dated July 25, 1997 and information provided by Designated Contractors.

Table 4-3 provides a comparative summary of 1996 and 1997 Alaska Native employment data for all nine Designated Contractors. This summary is based on Alaska Native actual employment figures only and does not consider education or training credits. Table 4-3 indicates that six of nine Designated Contractors met or exceeded the minimum actual employment goal of 5 percent in 1996. Of the three Designated Contractors which did not meet the minimum goal, they would have had to increase the number of Alaska Native employees by 0.67, 1.06 and 3.74 individuals. Four of the Designated Contractors had internal company goals which were higher than the minimum goal set by Alyeska.

Table 4-3 also shows that five of nine Designated Contractors met or exceeded the minimum actual employment goals in the second quarter of 1997. Of the four Designated Contractors which did not meet the minimum goal, they would have had to increase the number of Alaska Native employees by 4.87, 2.2, 0.89 and 3.05 individuals to meet the minimum goal of five percent. Five of the Designated Contractors had internal company goals which were higher than the minimum goals.

Table 4-3. Alyeska Designated Contractor Alaska Native Employee Status for 1996 and 1997 (Actual Employees Without Using Credits)									
	VECO	APC	AHTNA AGA	CNTS	DUO	EARTH MOVERS	PRICE/ AHTNA	TCC	CTG
1996 Minimum Goal %	5%	5%	5%	5%	5%	5%	5%	5%	5%
1997 Minimum Goal %	7%	7%	7%	7%	7%	7%	7%	7%	7%
1996 Actual % (10/31/96)	2.75%	12.32%	4.33%	5.73%	34.29%	8.98%	13.4%	28.9%	3.96%
1997 2nd Quarter Actual %	4.58%	11.73%	5.63%	6.54%	44.78%	13.13%	12.74%	27.31%	3.97%

**Table 4-3. Alyeska Designated Contractor Alaska Native Employee Status for 1996 and 1997
(Actual Employees Without Using Credits)**

	VECO	APC	AHTNA AGA	CNTS	DUO	EARTH MOVERS	PRICE/ AHTNA	TCC	CTG
1996 Actual # Alaska Natives	4.58	17	6.9	11	23.66	9.7	47.07	29.1	2.54
1996 Total Employees	166.4	138	159.3	192	69	108	351.2	100.7	64.2
# Alaska Natives Needed in Relation to Minimum Goal	3.74	exceed by 10.1	1.06	exceed by 1.4	exceed by 20.21	exceed by 4.3	exceed by 29.51	exceed by 24.06	0.67

Notes: 1) 1996 data is as of October 31, 1996 and as reported to JPO on November 25, 1996. All numbers are as reported to JPO by Alyeska but were not verified by JPO. Earthmovers contract with Alyeska ended at the end of 1996 and Houston NANA took over in 1997.

2) 1997 data is as of June 30, 1997 and as reported to JPO on July 25, 1997. All numbers are as reported to JPO by Alyeska but were not verified by JPO. Earthmovers contract with Alyeska ended at the end of 1996 and Houston NANA took over in 1997.

It is difficult to make any specific comparison of the 1996 and second quarter 1997 Designated Contractor data for Alaska Native employment for several reasons. First, much of the Designated Contractor work is seasonal and employment figures sometimes fluctuate significantly from month to month. Second, employment data for a one-year period cannot fairly be compared with data for a six-month period.

However, in general, it appears that Designated Contractors are making progress in meeting the Alaska Native employment goals specified in the Agreement. A compilation of all the Designated Contractor data shows that from 1996 to the second quarter of 1997 the total number of all TAPS Designated Contractor employees decreased by 0.4 percent, while the total number of Alaska Natives increased by 4.29 percent.

A conclusion of progress by Designated Contractors in meeting the Alaska Native employment goals is further supported by an evaluation and comparison of the information from individual Designated Contractors presented in Table 4-3. Table 4-4 shows the results of this evaluation. Of the eight Designated Contractors doing TAPS work in both 1996 and through the second quarter of 1997 (note that one Designated Contractor did not work in both years), six are considered to be making progress. The two Designated Contractors which are not considered to be making progress had significant increases in the total number of employees without having corresponding increases in the number or percentage of Alaska Natives.

Table 4-4. Status of Alaska Native Employees at Eight Designated Contractors in Relation to Total Number of TAPS Employees from 1996 to Second Quarter 1997				
Contractor	Total Employees % Change	Alaska Natives % Change	Change in # Alaska Natives	Progress?
VECO	increase 17.2%	increase 1.83%	increase 4.62	Yes
APC	increase 42.0%	decrease 0.59%	increase 6.0	No
Ahtna/AGA	increase 0.4%	increase 1.3%	increase 2.1	Yes
CNTS	increase 2.3%	increase 0.81%	increase 1.86	Yes
DUO	decline 2.9%	increase 10.49%	increase 6.34	Yes
Price/Ahtna	decline 39.6%	decrease 0.66%	decline 20.07	Yes
TCC	increase 9.0%	decrease 1.59%*	increase 0.9	Yes*
CTG	increase 56.8%	decrease 0.01%	increase 1.46	No

Notes: 1) Although the number of Alaska Natives employed at TCC decreased by 1.59 percent, 27.31 percent of the TCC work force is Alaska Native. This is well above the minimum goal of 7 percent.

Finding No. 9- According to information received from five of nine Designated Contractors, Alaska Natives are employed primarily at the lower levels of these companies.

Recommendation No. 9- In the spirit of the Alaska Native Utilization Agreement, Designated Contractors should evaluate methods to identify those Alaska Native employees who desire to progress to management or supervisory roles and actively provide developmental opportunities for those employees.

Finding No. 10- In 1996, six of nine Designated Contractors met the minimum Alaska Native employment goal of five percent. In the second quarter of 1997, five of nine Designated Contractors met the minimum Alaska Native employment goal of seven percent. In addition, three other Designated Contractors increased the percentage and number of Alaska Natives employed. In general, Designated Contractors are making progress in increasing the number of Alaska Natives they employ.

Recommendation No. 10- Those contractors not meeting Alaska Native employment goals need to increase their efforts.

Section 29 Expenditures- A discussion of compliance of Alyeska's Section 29 expenditures with the requirements of the Agreement is found in Chapter 9 of this report.

Identification of Designated Contractors- Alyeska uses a rule of thumb that if a contractor has 50 employees or more or has \$5 million contract cost, then that company will be so-called "Designated

Contractor” for purposes of compliance with Alaska Native hire requirements. Copies of Alyeska Operating Procedure 2.2 and memos to the files were obtained during the JPO Audit. These documents provide direction for how Alyeska identifies Designated Contractors. Copies of emails or memos obtained from Alyeska files are evidence that Alyeska did follow its process to identify Designated Contractors. However, the process defined in these documents may not properly identify all potential Designated Contractors. The focus on a five million dollar contract cost may exclude potential Designated Contractors with contracts which are predominately for professional services as opposed to labor.

Copies of Designated Contractor lists and “hours worked” worksheets were obtained for 1996 and January and February 1997. In reviewing these lists it was difficult to determine how many Designated Contractor employees are working full time on TAPS. According to information provided by Alyeska, Contractor headcounts reflect the number of FTEs (full time equivalents) reported by contractors working on TAPS that are charged through Outside Services- labor. It excludes the labor that may be working on TAPS that are contracted as part of an overall service. An example of this may be emergency response vessels, where a fully manned vessel is provided for a fee. These FTEs would be excluded from the attached counts. Each contractor determines their own definition of FTE. (The audit team noted that the July 13, 1997 headcount information provided by Alyeska was considerably different than the information provided in the first and second quarter 1997 status reports. The use of different methods of determining FTEs and the exclusion of labor from overall service contracts may be the reason for the discrepancy.)

A review of the July 13, 1997 information provided by Alyeska revealed that two contractors which are not Designated Contractors, employ more than fifty employees full time on TAPS. These are Crowley Marine, whose current total is 78 employees, and Tidewater, who employs 119 full time employees on TAPS. Both contractors, as well as Designated Contractor TCC, provide Ship Escort and Response Vessel System (SERVS) labor and response vessels.

Alyeska personnel stated that the decision to exclude Crowley and Tidewater was based on a legal opinion and direction that Section 29 only applied to contractors working on the Federal right-of-way.

Finding No. 11- Alyeska has excluded two large SERVS contractors (Crowley & Tidewater) from the need to comply with Section 29 Program requirements and Designated Contractor status.

Recommendation No. 11- JPO believes these two contractors need to be identified by Alyeska as Designated Contractors, within the spirit of the Agreement.

Finding No. 12- The criteria Alyeska uses to identify Designated Contractors may not properly identify contractors who should comply with the terms of the Agreement.

Recommendation No. 12- The Agreement states: “For purposes of this agreement, a

contractor shall be a Designated Contractor if that Contractor has at least 50 employees engaged full-time in work on TAPS within the State of Alaska under contract with Alyeska on a regular basis.” The term “on a regular basis” has not been defined and could lead to confusion as to which contractors are Designated Contractors. The audit team recommends that this term be defined as meaning a quarterly basis, commencing during the quarter when a contract is signed. Further, once a contractor has achieved Designated Contractor status, it should remain a Designated Contractor as long as it continues to work for Alyeska, unless conditions drastically change, and only after concurrence by the Authorized Officer.

Finding No. 13- Alyeska does not currently use incentives to further the goal of increased Alaska Native hiring among contractors.

Recommendation No. 15- Alyeska should evaluate voluntary efforts and incentives with its smaller contractors to increase employment opportunities for Alaska Natives.

Alyeska Oversight of Designated Contractors- An important key to the long term success of Designated Contractors in meeting their Section 29 commitments is Alyeska’s oversight, guidance and leadership. Alyeska contract stewards are responsible for overseeing Alyeska contractors. During the period of this audit Alyeska was undergoing a major reorganization and downsizing. Some of the new contract stewards had not been named and some of the new ones were unsure of their responsibilities. A draft Contract Steward Manual dated December 20, 1996 was obtained. The draft manual provides very limited information or direction about Section 29 requirements. Alyeska Section 29 Program personnel reported that they worked with the Designated Contractors and Contract Stewards to provide guidance in implementing the Section 29 Program. Both past and present Section 29 Program personnel expressed a belief that Designated Contractors are making an honest effort to successfully implement the Section 29 Program.

Designated Contractors interviewed appeared to be committed to the Section 29 Program. Some expressed a need for a more cooperative relationship with Alyeska, as well as more direction and guidance. All Designated Contractors interviewed expressed concern with the ability to locate and hire qualified Alaska Natives who could “quickly” go to work.

Alyeska Section 29 Program personnel conducted field verifications at eight of nine Designated Contractors in December 1996. No report was produced, but a copy of the “work papers” prepared by one of the verifiers was obtained. It is apparent from the work papers that the Designated Contractors had many questions and that the verification revealed some problems and inconsistencies. There was no feedback provided to the Designated Contractors as a result of the verification. No other verification of the monthly, quarterly or annual information submitted by the Designated Contractors was conducted by Alyeska.

Several of the contractors expressed the desire to coordinate more closely with the other contractors so that they could take mutual advantage of opportunities for improvement. Section 29 Program personnel expressed a need to work more closely with the contract stewards and Designated Contractors. Apparently, little has been done by Alyeska to improve the performance of Designated

Contractors regarding Section 29 compliance. No evidence was available to indicate that Alyeska actually provided direction to the Designated Contractors based on information provided in the status reports or through the one verification. In May 1997, Alyeska hired a Senior Human Resources Specialist to work half-time with the Designated Contractors to improve Section 29 compliance. Alyeska also has contract stewards responsible for the day-to-day interface with the contractors.

Finding No. 16- Alyeska has not provided strong oversight of or direction to its Section 29 Designated Contractors. This has possibly resulted in high administrative overhead costs, inefficiencies in identifying and hiring Alaska Natives, and inconsistencies in reporting.

Recommendation No. 16- Alyeska should routinely verify information submitted by Designated Contractors and occasionally monitor Section 29 Program compliance and effectiveness of both Alyeska and the Designated Contractors.

Designated Contractor Section 29 Implementation Plans- Copies of the Section 29 Implementation Plans were obtained for selected Designated Contractors including: VECO Engineering; Price/Ahtna; Chugach North Technical Services; Alaska Petroleum Contractors; Ahtna/AGA Security Inc.; and Houston/NANA JV. Selected Designated Contractor Implementation Plans were evaluated to assess compliance with the requirements of the Agreement and the Initial Plan of Implementation.

Finding No. 17- Each of the selected Designated Contractor's implementation plans generally meets the requirements of the Agreement and the Alyeska Initial Plan of Implementation. However, the plans are not specific enough to provide clear accountability for many of the commitments made.

Recommendation No. 17- Alyeska should work with each Designated Contractor to develop specific performance measures for incorporation into their individual company implementation plans to meet the spirit and intent of the Alaska Native Utilization Agreement. Alyeska should then hold each Designated Contractor accountable to meet its commitments.

Chapter 5. Recruiting and Placement

Conditions Evaluated

Section 3 of the Alaska Native Utilization Agreement (Agreement) requires Alyeska to continue to implement a proactive program of recruitment, placement and employment to attract Alaska Native candidates to meet employment goals. Alyeska's Human Resources Department is responsible for implementing these activities. Section 3 of the Agreement is divided into three subsections (Recruiting Methods, Screening and Evaluations, and Pre-employment Training) which specify certain activities.

Specific conditions of Section 3 include: both internal and external recruiting is required; affiliations must be established to improve recruiting success; a comprehensive computer database (roster) of Alaska Natives qualified for employment in the oil industry will be developed; Alyeska must work cooperatively with Designated Contractors to enhance the overall recruiting effort and to assist each other in identifying candidates for training and employment; a screening and evaluation process to address "testing" referenced in Section 29 must be used; applicants may be asked to verify their Alaska Native heritage; Alaska Native applicants who do not meet entry-level educational requirements for initial employment will be eligible for pre-employment training opportunities; Alaska Native applicants and students who do meet educational requirements may be offered intern positions designed to provide on-the-job experience that will stimulate interest in future employment.

Results

Recruiting Methods, Alyeska- All external permanent hire candidates are acquired by Alyeska through a contractor - Chugach North Technical Services (CNTS). CNTS also provides all temporary employees for Alyeska's temporary work needs. Alyeska relies heavily on CNTS to identify and bring forward potential Alaska Native candidates for openings in Alyeska. CNTS has one person assigned to this effort, who has done a creditable job. Other referrals also are made by current Alyeska employees and others such as members of the Section 29 Advisory Board and the Blue Ribbon (scholarship) Panel.

In general, CNTS conducts a fairly vigorous outreach program. Alyeska, through CNTS, has developed and maintains recruiting sources and affiliations to improve Native recruiting success. Alyeska and CNTS are using various Alaska Native networks to spread employment and scholarship messages. Job notices are regularly disseminated via FAX by CNTS to a list of some 69 Alaska Native corporations or non-profit groups for further distribution to potential candidates. In addition, when the external "pre-employment" internships were advertised, CNTS contacted the Seward AVTECH Center and the Job Corps Center in Palmer, Alaska. Another source canvassed for candidates is the American Indian Science and Engineering Society (AISES). Annually, CNTS checks the validity of the FAX numbers and consults with the users on how best to disseminate the

job openings information

Alyeska's Section 29 Program Manager conducted "mini-workshops" with Alaska Native groups in Fairbanks, Valdez and Anchorage to stimulate interest in Alyeska employment. Some Alaska Native groups, such as Tanana Chiefs Conference and Cook Inlet Tribal Council have been more proactive and successful in identifying and providing candidates than others. Alyeska created and widely distributed a pamphlet entitled "A Resource Guide For Jobs On TAPS" which appears to be a very useful informational tool for recruiting.

Recruiting Methods, Designated Contractors- Unlike Alyeska, Designated Contractors have no centrally focused point of recruitment, such as CNTS. Each contractor recruits Alaska Native candidates differently. The audit team examined five Designated Contractors in this regard:

Chugach North Technical Services- CNTS uses the 69 Alaska Native outlets, other agency outlets, and personal contacts to generate interest in all Alyeska openings. No special training is offered for CNTS (temporary) employees, unless the "gaining" company desires to have a certain employee trained in a specific skill. There are about 200 (typically ranges between 130 and 210) temporary CNTS employees currently utilized by Alyeska.

Ahtna/AGA Security Inc. - Ahtna/AGA Security provides security for TAPS and other commercial properties. Ahtna/AGA currently has 15 Ahtna shareholder employees and one other Alaska Native employee, two of whom are supervisors. Ahtna/AGA recruiting is done through Ahtna Regional Corporation, and by word of mouth. Ahtna/AGA has a very low employee turnover which limits new job opportunities for Alaska Natives.

Price/Ahtna J/V- Price/Ahtna is a joint venture with Ahtna Regional Corporation owning 30 percent of the company. The company provides maintenance and modification services for TAPS from the Valdez Marine Terminal to pipeline milepost 208. The nature of the work performed by Price/Ahtna is highly seasonal and variable, and greatly dependent upon work orders from Alyeska. Price/Ahtna, a union employer, reports making real progress through cooperative relations with trade union Training Coordinators and Business Agents who make special arrangements for Alaska Native apprenticeships and hiring. Within the past year, Price/Ahtna has obtained 17 apprenticeships in four unions, as well as working with unions to allow Alaska Natives to be utilized at a 20 percent rate on TAPS work, even when the dispatch rules call for others to be sent to the jobs. Price/Ahtna views apprenticeships as the best long-term solution to increasing Alaska Native employment in the oil and gas industry. Developing liaisons between unions and the Alaska Native community is seen by Price/Ahtna as an important new initiative. Recruiting is done by Price/Ahtna mostly within the Ahtna region, but other qualified Alaska Natives have been and are regularly recruited. Networking is facilitated by the ANSCA Human Resource Association (Native Corporation Human Resource Association) and the non-profits' Alaska Native Coalition on Employment and Training. Personal contacts are also a major way to recruit.

Alaska Petroleum Contractors- Alaska Petroleum Contractors, a wholly-owned subsidiary of Arctic

Slope Regional Corporation (ASRC) provides maintenance and modification services for TAPS from Pump Station 1 to pipeline milepost 208. Recruiting and all other personnel functions for APC is done by Natchiq, Inc., also a subsidiary of ASRC. ASRC subsidiaries also include Houston Contracting and VRCA Environmental.

There appears to be considerable interaction involving training and recruiting between Natchiq, the North Slope Borough, Ilisagvik Community College in Barrow, and the North Slope oil and gas industry which results in significantly enhanced job opportunities for North Slope residents. The North Slope Borough, with U.S. Department of Labor assistance has an apprenticeship program for 10 craft/trade skill areas. This combined with Ilisagvik Community College's trade curriculum, specifically aligned with actual job skill needs as identified by industry, leads to many successful entries into the oil and gas industry. Natchiq actively recruits at the college and is contemplating loaning the college some skilled craftsmen to help improve existing or to build new craft/trade curricula.

VECO Engineering- This company has a recruiting program for a small number of Alaska Natives who are trained in engineering or related sciences. The company has one full-time person who works with the University of Alaska chapter of the American Indian Science and Engineering Society (AISES), attending job fairs at the regional and national conferences of this group. VECO Engineering also uses Alaska's People, a subsidiary of Cook Inlet Regional Corporation and Doyon Regional Corporation, as well as personal contacts to distribute job notices.

Finding No. 18 - Some of the Designated Contractors have fashioned innovative approaches to training and recruiting Alaska Natives for oil and gas industry jobs. Alliances and partnerships with unions, training facilities, oil and gas industry firms, and Native Corporations are the common threads found in these success stories.

Recommendation No. 18- Alyeska should examine the success factors of certain Designated Contractors and seek ways to participate. An overall approach by industry which is more collaborative than competitive would likely result in more total job opportunities for Alaska Natives. Agreements with universities and vocational training programs are suggested.

Database of Job Candidates- In order to speed up the process of establishing a computer database of potential Alaska Native candidates (as well as others), Alyeska decided to use its existing personnel data system and to fund the entire cost of the database, even though the Agreement calls for cost-sharing with Designated Contractors. The system currently has information on over 1,500 potential Alaska Native employment candidates. Chugach North Technical Services regularly uses the database to identify Alaska Native candidates (and others) for job openings at Alyeska. Other potential employers, such as Designated Contractors, other oil and gas companies, or oil field service companies are not able to utilize the database at this time, as contemplated by the Agreement. Alyeska officials stated that an as yet unscheduled technical "fix" would allow other employers to access the database and still protect proprietary data in the system.

Finding No. 19- Alyeska and its Designated Contractors are currently making satisfactory efforts to recruit and place Alaska Natives, in compliance with the requirements of the Agreement.

Recommendation No. 19- Alyeska should immediately undertake to make the Alaska Native applicant information computer-accessible by other potential oil industry employers, as contemplated by the Agreement. The system should allow other potential employers to “dial into” the database to access applicant information for vacant positions. The database could be systematically expanded to cover Alaska Natives throughout the State who desire to be considered for oil and gas industry positions.

Alaska Native Heritage Verification- In a few cases, where an incorrect or false application was suspected, applicants have been required by CNTS to provide certification or enrollment documents attesting to Alaska Native heritage. Alyeska, through CNTS’ application procedures, allows applicants for positions to self-identify themselves as Alaska Natives. This procedure minimally meets the requirements of the Agreement. Only one of the five Designated Contractors interviewed (VECO Engineering) routinely verifies applicants’ claimed Alaska Native status.

Finding No. 20- Alyeska and some Designated Contractors rely on applicants to “self-report” Alaska Native heritage, and do not have a regular procedure to verify Native status.

Recommendation No. - Alyeska and its Designated Contractors should routinely verify Alaska Native tribal enrollment of applicants for positions.

Pre-Employment Training / Alyeska Internships- Alyeska has two types of internships. External (pre-employment) internships are designed to help selected Alaska Natives gain the experience and education needed to obtain employment in the oil industry. Internal internships are designed to help existing Alaska Native employees advance to higher positions in Alyeska. Currently there are six external interns and four internal interns. When internships at Alyeska were advertised, over 230 Alaska Natives applied, and although many were qualified, only six external internships were filled.

Internships, tied to future offers for employment at Alyeska, are seen by Alyeska as a difficult proposition because the shrinking work force offers fewer opportunities for permanent employment, especially in the midst of the current reorganization.

Pre-Employment Training / Designated Contractor Internships-

Ahtna/AGA Security, Inc. started an Alaska Native internship program five years ago, whereby three Alaska Natives per year are brought on for a Security Officer training period of up to one year. This program includes classroom instruction and 90 days on-the-job training at numerous TAPS facilities. Most interns finish in about nine months. Permanent jobs are offered at the conclusion of the training. This training also qualifies individuals for employment by a competing security firm. Out of 15 interns entering the intern program, over the past five years, ten are currently employed by Ahtna/AGA Security. The company offers internships to Alaska Natives only, nearly all of whom

are Ahtna shareholders or descendants. Recruiting is done through Ahtna, and by word of mouth.

Price/Ahtna offers summer internships and had two engineering students in internship positions in 1996 and two in 1997.

VECO Engineering personnel expressed the need to “grow our own” employees, with special reference to Alaska Natives. In this regard, the company has several innovative ways to attract, train and retain qualified Alaska Natives and non-Natives. VECO Engineering has a summer intern program, primarily for students in engineering and related sciences. VECO had four Alaska Native interns in 1996, and seven in 1997. Special efforts are made to accommodate the schedules and needs of these students, like allowing employment during Christmas and Spring breaks to supplement their incomes. VECO has a strong mentoring program for all Alaska Native employees, with mentor-employee meetings once a week. An interesting innovation at VECO Engineering is the use of employees who are not yet fully qualified as on-the-job training. These people are actually employees of Larson Engineering, an Alaska Native owned firm too small to allow for OJT opportunities. VECO Engineering is in the initial phases of working with the Palmer Job Corps Center to develop a curriculum for AUTOCAD (computerized engineering drawing), a skill in great demand.

See Chapter 7 of this report for JPO findings and recommendations on the internship program.

Chapter 6. Training Programs

Conditions Evaluated

Section 4 of the Alaska Native Utilization Agreement (Agreement) requires Alyeska to implement training programs designed to attract, develop, and maintain Alaska Native employees at all levels of the organization. Training programs must be designed to provide skills needed to meet entry-level requirements, as well as enhancing existing employee skills to allow development and advancement. Programs will be embodied in training contracts for all Alaska Native employees who wish to participate.

Training will be offered in the following categories: leadership; management/supervisory; technical; safety; regulatory; communications; basic skills/orientation; and professional continuing education. The Agreement also requires Alyeska to investigate Apprenticeship programs (similar to the National Apprenticeship program) to determine if such programs provide training opportunities that either stand alone or supplement Alyeska's existing Technician Progression Program. Under the terms of the Agreement, Alaska Natives and Alyeska are jointly responsible for the success of the training program.

Results

Alyeska has a robust, training-rich environment for all permanent employees, including Alaska Natives. Training is offered in all eight categories enumerated above and a random check of five Alaska Native employees' files confirmed the presence and routine use of Learning Contracts. In some cases there is a lack of clarity or specificity in identifying the target position (the desired end result of the training) that the training would logically lead to.

No special outreach efforts have been made by the Alyeska training section to Alaska Native employees, because of the training staff belief that this exclusive approach might be viewed as divisive by both Alaska Native and other employees. However, Alyeska has Training Generalists who visit work sites throughout TAPS and can serve as training advocates for individual employees, both Alaska Native and non-Native.

Alyeska has not studied Apprenticeship programs as required by the Agreement. This has been discussed internally, but there is no measurable achievement in this area.

Although the Agreement does not address training programs for Designated Contractors, there are several excellent examples of apprenticeship-type programs leading to higher levels of qualification or entry-level employment. Ahtna/AGA Security, Price-Ahtna Inc., and Alaska Petroleum Contractors all have intern or apprentice type programs with features which Alyeska could incorporate into its entry-level training program.

Finding No. 21- Alyeska is in compliance with the Agreement as it relates to Training Programs for Alaska Natives, except they have not studied Apprenticeship Programs for applicability.

Recommendation No. 21- Alyeska and its Designated Contractors should investigate apprenticeship programs to determine if such programs provide technical or vocational training opportunities that stand alone or supplement Alyeska's existing Technician Progression Program and the various Designated Contractor programs. This investigation should be part of a comprehensive study of skill development opportunities to determine if the programs available support the employment and advancement goals specified in the Agreement.

Chapter 7. Developmental Opportunities

Conditions Evaluated

Section 5 of the Alaska Native Utilization Agreement (Agreement) requires Alyeska to provide developmental opportunities for Alaska Natives to qualify them for employment or for advancement to higher positions. These developmental opportunities are intended to be in addition to the formal training available for all Alyeska employees described in Section 4 of the Agreement.

Section 5 of the Agreement requires Alyeska to provide the following developmental opportunities for Alaska Natives: a Loanee Program; an Intern Program; an Educational Assistance Program; a Scholarship Program; an Educational Sabbatical Program; and a Secondary Support Program. Only the Intern, Scholarship, and Secondary Support Programs are restricted to Alaska Natives. All other programs are available to all Alyeska employees. In addition to requirements of the Agreement, the audit team evaluated: adequacy of controls over developmental opportunities including application of consistent selection and screening criteria for participation; Alaska Native employee participation levels in the developmental opportunity programs; and oversight by Section 29 Program personnel of each developmental opportunity program;

Results

Loanee Program- The objective of the Loanee Program is for Alyeska employees to obtain specialized skills, training, and unique experiences not available within the Alyeska system. Target placements may include Alaska Native Regional and Village corporations, nonprofit corporations, Alliance contractors, and other petroleum industry companies.

During 1996, one Alaska Native employee participated in this opportunity to gain specialized skills and experiences not available within Alyeska. The Alaska Native employee who participated in the Loanee Program felt that it was a very beneficial personal experience but that it would do little to enhance their career.

Finding No. 21- Alyeska has developed and implemented a Loanee Program for all employees, not specifically directed at Alaska Natives.

Recommendation No. 21- Alyeska should clearly communicate current information about the Loanee Program and potential opportunities to Alaska Native employees. Alyeska must assure that opportunities for Alaska Natives under the Loanee Program are clearly tied to enhancement of their careers. Also, Alyeska should revise the year-to-date company-wide financial summary for 1996 to report the loanees expenditures separately.

Intern Program- The objective of the Intern Program is to provide on-the-job training to Alaska Native employees and applicants seeking entry-level employment or advancement to higher

positions. Ten Alaska Natives participated in Alyeska's Intern Program in 1996. Eight were technical interns (three from internal recruitment and five from external recruitment), and two were administrative interns (one internal and one external). Of the original ten, six remain as interns, three have accepted jobs at Alyeska and one was released due to contract expiration.

The Intern Program was originally planned for a one-year duration (1996) but the program was extended for a second year (1997). This decision was based on the lack of positions in which to place interns and the need to provide more in-depth, on-the-job training. Interns recruited externally to Alyeska were not guaranteed future employment at Alyeska. Interns were assigned "intern consultants" who functioned as their mentors. Basic orientation workshops for both interns and their mentors were found to be beneficial to all parties.

Several of the Designated Contractors developed successful Intern Programs. These include: VECO Engineering and Ahtna/AGA Security.

Finding No. 22- Alyeska has developed and implemented an Intern Program and is in compliance with the Agreement.

Recommendation No. 22- The Intern Program should be continued and expanded in future years and should be linked with other existing developmental opportunities. The Program could be expanded to include other areas of study and to increase the number of participants. Alyeska should clearly define how both internal and external interns will transition into permanent employees. Alyeska should coordinate its Intern Program with Intern or Apprenticeship Programs of Designated Contractors to provide more entry-level, "gateway" opportunities for Alaska Natives.

Alyeska should revise training provided to interns to provide more hands-on, on-the-job experiences which are specific to Alyeska, in addition to some of the self-study classes that interns are required to complete. Alyeska should coordinate future training requirements and plans for interns with the Alyeska Employee Education Board. The Section 29 Program Manager should be an active member of the Employee Education Board.

Additionally, Alyeska may want to coordinate its Intern Program with other programs which exist within the oil and gas industry in Alaska. Alyeska and the Designated Contractors should link their Intern programs with the Scholarship Program so that scholarship recipients have the opportunity for intern positions (summer, full-time or post graduation). Alyeska should maintain a matrix to keep track of any evaluation, feedback, or comments from interns, mentors or other Alyeska employees so that the Intern Program can be continuously improved.

Educational Assistance Program- The objective of the Educational Assistance Program is to reimburse Alyeska employees for up to 80 percent of the cost of pursuing formalized higher education toward technical training, advanced degrees, degree completion, or a basic degree. One

Alaska Native employee has participated in this opportunity during their employment with Alyeska. This employee earned two- and four-year degrees before the Agreement was signed in October, 1995. No Alaska Natives are currently participating in the Educational Assistance Program. This program is available to all Alyeska employees; however, Alaska Native employees are excused from the two-year work eligibility requirement applicable to all employees.

Finding No. 23- Alyeska has developed and implemented an Educational Assistance Program which can be utilized by Alaska Natives (and all other employees) and is in compliance with the Agreement.

Recommendation No. 23- Alyeska should encourage Alaska Native employees to participate in the Educational Assistance Program and should evaluate enhancements to encourage more Alaska Native participation.

Scholarship Program- The objective of the Scholarship Program is to provide Alaska Natives training or education to prepare them for initial employment or advancement to higher positions. Alyeska's Scholarship Program is known as "Daghedze Skoldiix (dah-getz'a skold-lee)," which means "upward learning" in an Athabascan Ahtna dialect. Scholarship grants are to various organizations and are not tied to future employment at Alyeska or the oil and gas industry. In 1996, Alyeska distributed \$750,000 in scholarship awards to twenty-one organizations. These awards were based on recommendations from the Blue Ribbon Panel, which was formed to administer objective selection criteria in their review of proposals for funding. Alyeska has no oversight over individual scholarship recipients, since awards were made to organizations. Documentation was not available regarding whether the individual recipients were attending school, their grades, nor their course of study.

Stipends for recipients of Educational Sabbaticals were included in the overall financial total for scholarships and reflected in employment credit statistics. Recipients of Secondary Support, also known as systemic education or Job Readiness for Alaska Native Youth, were also included with Scholarship recipients in financial reporting documents.

Finding No. 24- Alyeska is in basic compliance with the Agreement as it relates to the Scholarship Program.

Recommendation No. 24- Alyeska should establish a clear link between scholarship funding and the expectation of future full-time, permanent employment on TAPS (or even in the Alaska oil and gas industry). Alyeska should track individual scholarship recipients (degree completion, course of study, job experience, and current certifications). This is to assure that the Scholarship Program is effective in providing Alaska Natives training or education to prepare them for initial employment or advancement to higher positions within Alyeska or its Designated Contractors. Alyeska should require organizations receiving scholarship funding to report on at least an annual basis the academic status of students receiving scholarships. This should be a requirement in the request for proposals for

scholarships. Alyeska should continue workshops for scholarship recipients (organizations) to communicate selection and ranking criteria for scholarship proposals. Alyeska may want to consider renaming the program to better reflect the diversity of all Alaska Natives.

Alyeska and its Designated Contractors should consider establishing a Cooperative Student employment program similar to that used by other large companies. Under this program, college students work and go to class in alternate quarters or semesters. These students would then normally be hired by the company upon graduation, although some companies use the regular application process even for co-op students.

Educational Sabbatical Program- The objective of the Educational Sabbatical Program is to provide opportunities for all Alyeska employees who have been with Alyeska for at least two years to pursue educational programs to further their professional development. Alaska Native employees receive full tuition and a living stipend, and are granted leave without pay. There were two Alaska Native participants in 1996. One recipient is on leave without pay status and is pursuing professional development through an educational institution. The other recipient is not currently an Alyeska employee, and is undergoing educational training under the terms of a legal settlement. Current internal Alyeska procedures allow these monies to be tracked under the Section 29 program.

Finding No. 25- Alyeska has implemented an Educational Sabbatical Program and is in compliance with the Agreement.

Recommendation No. 25- Alyeska should clearly communicate accurate information describing the Educational Sabbatical Program to all Alaska Native employees. (See also Recommendation No. 33.)

Secondary Support Program- The objective of the Secondary Support Program is to financially support secondary school programs at the local level (village/regional) that will assist Alaska Native students to develop skills that will help qualify them for entry level employment in the Alaska job market upon graduation. Alaska Native employees who have worked for Alyeska for at least two years may nominate programs for funding.

In 1996, eight grants of \$2,000 each were distributed to various organizations, for a total of \$16,000. The Secondary Support Program is also known as "Job Readiness for Alaska Native Youth," and is considered a systemic education program. Alyeska did not develop selection criteria to evaluate proposals as required by the Agreement because of the small number of proposals, nor were applicants notified of the status of their applications. No documentation was available to indicate that Section 29 Program personnel conducted any type of follow-up activity after award of the grants to evaluate effectiveness.

Finding No. 26- Alyeska has developed and implemented a Secondary Support Program and is in basic compliance, however, Alyeska has not developed meaningful selection criteria as required by the Agreement, nor were applicants notified of the status of their applications.

The audit team is unable to determine if the program has been effective due to the lack of follow-up by Alyeska.

Recommendation No. 26- Alyeska should establish a formal method to communicate information about the Secondary Support Program to Alaska Native employees. Alyeska should develop a method to determine if the financial assistance provided under this program was used to develop job skills which lead to employment in the Alaska job market.

Chapter 8. Native Employee Support

Conditions Evaluated

Section 6 of the Alaska Native Utilization Agreement (Agreement) requires Alyeska to provide programs for Alaska Native employees above and beyond the recruiting, training, and developmental opportunities described elsewhere in the Agreement. Specific conditions contained in Section 6 require Alyeska to: develop a formal Mentoring Program; provide a Job Counseling Program to assist Alaska Natives; actively promote a cross-cultural work environment by providing cross-cultural training to every employee; maintain a work environment free from discrimination or harassment; and inform the Authorized Officer of the discharge any Alaska Native employee.

The Initial Plan of Implementation contains additional commitments including: a mentoring orientation workshop to be conducted; a review process developed to annually evaluate and improve the Mentoring Program; Section 29 Program staff will travel to the Alyeska Business Units regularly to meet with Alaska Native employees to discuss progress, ideas and issues; and the Section 29 Program Manager will conduct an annual evaluation of the termination of Alaska Natives for trends and lessons learned.

Results

Mentoring Program- A review of the Section 29 Program files contained a list of Alyeska employees who had volunteered to be mentors for Alaska Native employees. However, there is no evidence to indicate that Alyeska asked Alaska Native employees if they desired a mentor. The Initial Plan of Implementation includes a reference to a workshop for mentors, but apparently the intent was to provide this workshop only for mentors of interns. There was no evidence that any formal mentoring training was anticipated for mentors of other Alaska Native employees. Mentors for interns were referred to as “intern consultants.”

Finding No. 27- Alyeska has not developed or implemented a formal Mentoring Program for Alaska Native employees as required by the Agreement.

Recommendation No. 27- Alyeska should ask all Alaska Native employees if they desire a mentor. Mentors and those mentored should meet on at least an annual basis to assess ways to improve the Mentoring Program. Mentored individuals may need additional training or orientation to successfully participate.

Job Counseling Program- Job counseling is provided by Human Resource Generalists for all Alyeska employees. Part of the job counseling process is to assist employees in the development of their learning contracts. This was accomplished for Alaska Native employees. There was little evidence that the Section 29 Program staff traveled regularly to Alyeska business units to meet with Alaska Native employees to discuss progress, ideas, and issues as required in the Initial Plan of

Implementation. At least three of the Designated Contractors had annual meetings for Alaska Native employees to discuss progress, ideas, and issues.

Finding No. 28- Alyeska has developed and implemented a job counseling program for all employees, including Alaska Native employees.

Recommendation No. 28- Top Alyeska management and the Section 29 Program staff should travel to Alyeska business units on a quarterly basis to meet with Alaska Native employees to discuss progress, ideas, and issues. These discussions should be tracked and any resulting follow-up and progress should be documented and feedback provided to Alaska Native employees.

Cross Cultural Awareness- The Agreement requires Alyeska to actively promote a cross-cultural work environment by providing cross cultural training to every employee. The training is to include an understanding of Section 29 and Alyeska's unique relationship with Alaska Natives. A review of Alyeska files on Cross Cultural Awareness clearly indicated that Alyeska has considered preparation of a formal training program for the past three or four years. However, no cross cultural training has yet been scheduled. Cross cultural training for all Alyeska employees is an integral part of the overall diversity effort. Alyeska has promoted and integrated positive images of Alaska Natives in its decor and advertisements and it has participated in and supported Alaska Native cultural activities in the community.

Finding No. 29- Alyeska has not developed and implemented a cross cultural awareness program as required by the Agreement.

Recommendation No. 29- A cross cultural awareness training program must be established.

Nondiscrimination- Alyeska maintains a work environment that is free of discrimination and harassment. All employees receive an orientation on this subject and are required to attend follow-up training. All Alyeska employees are required to attend Culture of Trust training.

Termination / Notification- The termination/notification process for Alaska Natives is in place and is generally functioning as required. The BLM Equal Opportunity Compliance Officer is routinely advised by telephone and in writing by Alyeska and Designated Contractors on terminations and disciplinary actions involving Alaska Natives.

Finding No. 30- There have been instances of non-notification or after-the-fact notification by Alyeska's contractors.

Recommendation No. 30- The procedure for informing the BLM Authorized Officer of discharge and termination of Alaska Natives should be reinforced with all Alyeska contractors at least semi-annually.

Chapter 9. Measurement of Progress

Conditions Evaluated

Section 7 of the Alaska Native Utilization Agreement (Agreement) describes how Alyeska will measure progress and take credit towards meeting the overall goals of increasing employment, training and educational opportunities for Alaska Natives.

Specific conditions of Section 7 evaluated during the JPO audit include: the method used to measure each Alaska Native on the Alyeska and Designated Contractor payrolls and the accuracy of reporting; methods used to measure educational, developmental and training opportunities and the accuracy of reporting in each program; development of an internal measurement system for determining the effectiveness of recruiting, training, loanee, and counseling efforts, including a method to establish trends in job retention, promotions to higher job levels, annual performance evaluations, training effectiveness, and scholarship effectiveness; and the method used to account for the \$2.1 million spent on the Section 29 Program per year.

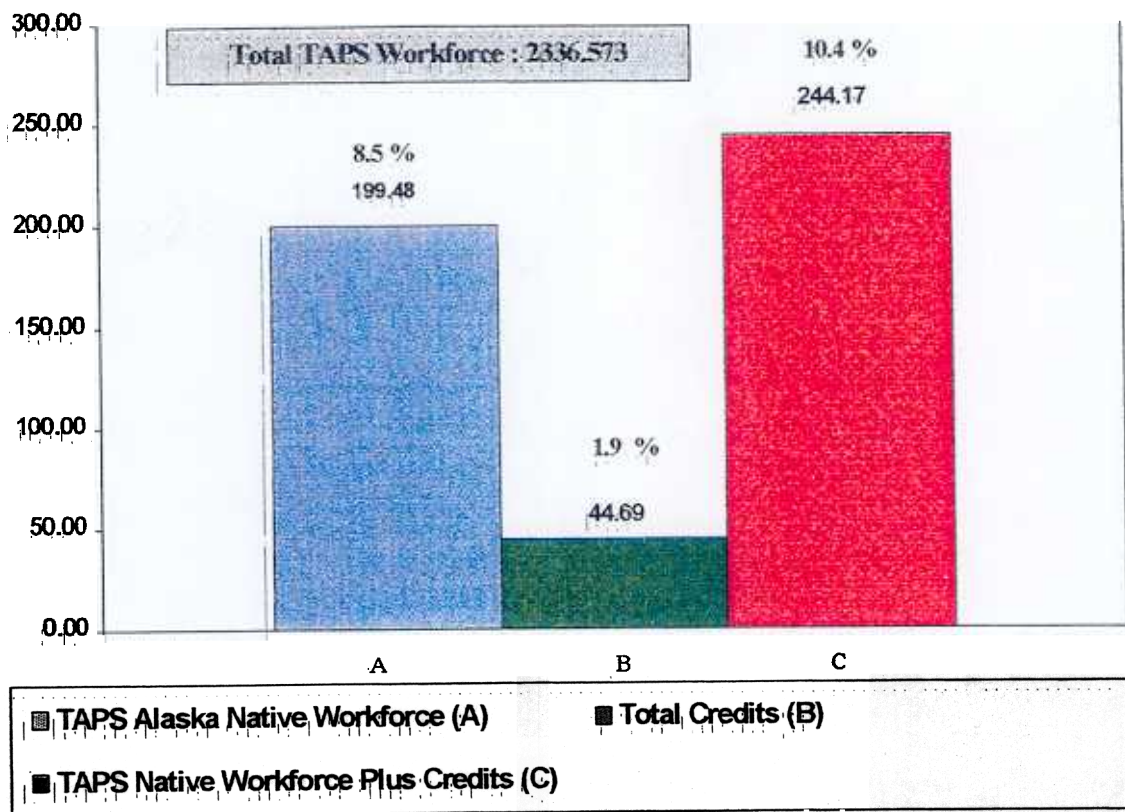
Results

Employment Credit Measurement- The Agreement states that “Each Alaska Native on the Alyeska or Designated Contractor payroll during the year will count as a single employment opportunity on an agreed date each year. Those Alaska Natives employed for less than a full year will be counted based on the portion of the year for which they are employed, even if they are not employed on the agreed date.”

Alyeska uses the term “Headcount” in its Operating Procedures for computing employment credits as specified in the Agreement. Alyeska reports year-to-date headcounts (full and partial) on a monthly basis. Designated Contractors were instructed by Alyeska to use a quarterly average for the headcount. These two methods used by Alyeska and the Designated Contractors are inconsistent. In addition, some Designated Contractors initially used actual headcount and some used full-time-equivalents (FTEs). Some Designated Contractors may have used both of the methods for different quarterly status reports. The use of FTEs may over report the actual number of Alaska Native employees. In addition, each Designated Contractor has own definition of an FTE. It is unclear what method the Designated Contractors are presently using to report the number of Alaska Native employees.

Alyeska’s Fourth Quarter 1996 Status Report (to December 31, 1996) indicated a prorated total Alyeska work force of 955.8 employees with a prorated Alaska Native work force of 53.4 employees or 5.59 percent of the total work force. Alyeska also reported 37.96 employment and other credits. The sum of employment opportunities (actual work force) plus employment and other credits equals a total of 9.56 percent Alaska Native employment for Alyeska in 1996.

**Table 9-1. Section 29 1996 Combined Workforce Summary
Alyeska & Designated Contractors**



Alyeska's Fourth Quarter 1996 Status Report (to December 31, 1996) indicated a Designated Contractors total work force of 1,380.77 personnel, with an Alaska Native work force of 146 employees or a 10.58 percent Alaska Native work force. Alyeska also reported that Designated Contractors had 6.73 employment and other credits. The sum of employment opportunities (actual work force) plus employment and other credits equals a total of 11.06 percent Alaska Native employment in the TAPS Designated Contractor work force in 1996.

The total TAPS work force (both Alyeska and Designated Contractors) is reported as 2,336.57 with a total Alaska Native work force of 199.48 or 8.5 percent. The sum of employment opportunities (actual work force) plus employment and other credits equals a total of 10.45 percent Alaska Native employment on TAPS. Table 9-1 provides a graphic depiction of the total Alaska Native work force plus credits. The overall 1996 goal was 5 percent Alaska Native employment. Therefore, Alyeska exceeded its overall 1996 goal.

Finding No. 31- The use of quarterly average headcounts by Designated Contractors is inappropriate because it provides an inaccurate number of Alaska Native employees.

Recommendation No. 31- Alyeska's Designated Contractors should count Alaska Natives as employment credit only for the portion of the year the Alaska Natives are actually employed and not use a quarterly average headcount. As a matter of convenience, a single FTE could be defined as 2,000 hours/year, exclusive of overtime.

Finding No. 32- The methods used by Alyeska and Designated Contractors to calculate and report work force numbers may be inconsistent.

Recommendation No. 32- Alyeska should ensure that methods used to report Alaska Native employees for both Alyeska and Designated Contractors are consistent. If past reports include inconsistent Alaska Native employee numbers, Alyeska should issue revised reports. The consistent reporting of Alaska Native employee numbers is important to accurately determine if progress in employment of Alaska Natives is being made. One possible method of reporting would be to provide actual work force numbers for each of a specified number of preceding quarters and to include statements related to progress and trends.

Scholarship Credit - Alyeska met its spending commitment of annually awarding \$750,000 in grants to organizations under the Daghdze Skoldiix Scholarship Program. Award designations were approved June 25, 1996 and November 27, 1996. A total of \$48,743 was spent on stipends for two college students, for a grand total of \$798,743 in the scholarship category. Scholarship credits equated to 26.62 employment opportunity credits based on \$30,000 funding increments. A portion of the reported \$798,743 expenditure included \$23,448 as a result of a legal settlement with a former Alaska Native employee of Alyeska. Internal Alyeska procedures relating to employment credits allow for educational dollars resulting from legal disputes or settlements to be tracked in Section 29 financial records. This is an inappropriate use of Section 29 funding.

One of the Designated Contractors counted 3.5 employment opportunity credits under the Scholarship Program, when it should have been counted in the Systemic Educational Program. Contractor documentation verified that the calculation was based on 7 employees at one-half credit per employee attending college at night.

Finding No. 33- The inclusion of costs resulting from legal settlements in Section 29 expenditures is inappropriate. Alyeska erroneously reported .78 employment credits in the scholarship category.

Recommendation No. 33- Alyeska should revise its internal Operating Procedure for Employment Credits (dated 1/6/97) to preclude "educational dollars resulting from legal disputes or settlements and stipends for individuals on educational sabbaticals" from being

included as an employment credit. Legal settlements to Alaska Native employees are not a legitimate Section 29 expenditure. The Section 29 Compliance Measurements to December 31, 1996 Report should be revised to indicate a reduction of .78 employment credits in the scholarship category. Also see Recommendation No. 25 for adjustments needed in the 1996 company-wide financial summary.

Sabbatical Credit- One Alyeska Alaska Native employee was on sabbatical for college during 1996. Alyeska properly counted an employment opportunity credit of 0.88 based on the proportionate time that the employee was attending college.

Systemic Education And Secondary Support Program Credit - The Agreement provides for funding of a Secondary Support Program and other systemic educational programs to be counted as a single employment opportunity in increments of \$30,000 expended.

Alyeska provided organizations with funding of \$2,000 each (for a total of \$16,000) on behalf of eight Alaska Native employees under the Secondary Support Program. Alyeska only reported spending \$12,000 on the Secondary Support Program in the Fourth Quarter Status Report.

Finding No. 34- Alyeska and Designated Contractors under-reported the credits for the Systemic Education and Secondary Support Programs by a total of 3.63 credits.

Recommendation No. 34- Alyeska should assure that Quarterly Status Reports provide accurate information for each program. Alyeska should verify information provided by Designated Contractors. If past reports provided to JPO include incorrect information, the reports should be revised so that progress in employment and educational opportunities for Alaska Natives can be tracked and trended over time.

Training Credit - During 1996, Alyeska provided training to three Alaska Native employees to allow advancement to higher job categories. Alyeska did not count the employment opportunity credits for the proportionate time the three employees spent in training. Of the reported \$47,980 expended on training of Alaska Natives, the audit team verified that only \$17,444 was actually spent on formalized training for the three Alaska Native employees. Ten thousand dollars of the \$47,980 charged to Section 29 for training was for two separate classes attended by 13 to 18 Alyeska employees, only one of whom was an Alaska Native. The balance of \$20,536 charged to Section 29 was spent on manuals, books and training materials for other Alaska Native employees. While this \$20,536 was spent for training materials for Alaska Natives, this was apparently for training required of all Alyeska employees. An example of this is Safety Training. Since this training was not specifically designed to allow Alaska Natives to advance to higher job categories, the \$20,536 is deemed to be inappropriately charged to Section 29.

None of the Designated Contractors utilized employment opportunity credits for training to advance Alaska Natives to higher job categories, even though the combined Designated Contractor expenditures for training totaled \$41,244.

Finding No. 35- Alyeska inappropriately charged \$30,536 (of a total of \$47,980) to Section 29 for training of Alaska Natives. On the other hand, neither Alyeska nor any of the Designated Contractors took an employment opportunity credit for time that Alaska Native employees spent in training to allow them to advance to higher job categories.

Recommendation No. 35 - Alyeska should revise the YTD Company-Wide Financial Summary for 1996 from a total of \$47,980 to \$17,444 in the "Training" categories by subtracting the following inappropriately charged amounts:

Feature Code 052	Technical/Regulatory Training	\$10,701
Feature Code 539	Departmental External Training	\$19,668
Feature Code 287	Technical Training	<u>\$ 167</u>
Total:		\$30,536

Alyeska and the Designated Contractors should also determine the employment opportunity credits for the time that Alaska Native employees spent in higher job advancement training and correct the "Section 29 Compliance Measurements to December 31, 1996 Report."

Loanee Credit- The Agreement allows each Alaska Native employee on loan to another organization for purposes of career development or training to be counted as a single employment opportunity provided they remain an Alyeska employee on the agreed date for that year. For 1996 Alyeska had one Alaska Native employee involved in the Loanee Program. This employee was on loan to BLM under its Resource Apprenticeship Program for Students for 50 percent of their time. The Alaska Native loanee was not counted as one-half of an employment opportunity credit nor did Alyeska report any expenditure for this loanee in the financial summary. (See Recommendation No. 21.)

Internship Credit- The Agreement allows Alyeska to count internal and external internships for Alaska Natives as a single employment opportunity credit. Four internal technicians, five external technicians and one administrative intern were counted as employment credit opportunities by Alyeska in 1996. The audit verified that the employment opportunity credits calculated by Alyeska at 9.07 for the interns proportionate time of employment were correct. Two of the Designated Contractors properly reported a total of 3.23 internship employment opportunity credits.

Voluntary Severance Program Credit- The Agreement allows Alyeska to count as a single employment opportunity credit each Alaska Native who accepts an offer of benefits under a Voluntary Severance Program (VSP) for three years following the date of severance. Employment credits counted for 1996 are calculated on a pro rata basis for the portion of the year the employees did not work. Three Alaska Natives were counted under the Voluntary Severance Program in 1996. Alyeska claimed 0.99 employment opportunity credits for the three VSP participants. Based on the termination dates (part of the year) reported by Alyeska, the audit verified that the 0.99 credit is correct.

Measurement of Program Success- The Agreement required Alyeska to "develop a program of internal measurement to determine the effectiveness of the recruiting, training, loanee, and

counseling efforts. Data will be recorded and management reports prepared on a periodic basis to establish trends in job retention, promotions to higher levels, annual performance evaluations, training effectiveness, and scholarship effectiveness. These statistics will serve as a measure of success of the overall program and can be modified to meet the changing needs of Alaska Natives, Alyeska, and its Designated Contractors.” There is no evidence available to support a conclusion that Alyeska complied with this provision of the Agreement.

Finding No. 36- Alyeska did not develop a program of internal measurement for evaluating the effectiveness of the recruiting, training, loanee, and counseling efforts as required in the Agreement. Additionally, Alyeska did not prepare management reports to establish trends in job retention, promotions to higher levels, annual performance evaluations, training effectiveness, and scholarship effectiveness.

Recommendation No. 36- Alyeska should initiate a process to comply with the above provision of the Agreement. Alyeska can not properly or fully evaluate the success of the overall Section 29 Program without this critical effectiveness and trending information. (See also **Recommendation No. 4.**)

Availability of Funds The Following Year For Unreached Goals In Previous Year- If Alyeska does not reach the goals specified in Section 2.1 of the Agreement during a particular year, it is required to make funds available in the following year to create the number of additional education or employment opportunities that would be required to fulfill goals not reached. By December 31, 1996, Alyeska had reached its initial goal of 5 percent Alaska Native employment and exceeded its goal of expending at least \$2.1 million annually by about \$200,000.

\$2.1 Million Annual Spending Commitment - As a measure of Alyeska’s good faith efforts to reach its goals, it agreed to spend \$25 million over a 12-year period at the rate of approximately \$2.1 million per year. The Alyeska Year to Date (YTD) Company-Wide Financial Summary Statement for calendar year 1996 indicates \$2,292,862 was spent on the Section 29 Program. Table 9-2 shows Alyeska’s 1996 Section 29 Program expenditures in eight categories. Table 9-3 shows Designated Contractor 1996 Section 29 Program expenditures. Note that only five of nine Designated Contractors submitted Section 29 Program expenditures to Alyeska for reimbursement. These expenditures were accounted for by Alyeska.

Table 9-2. 1996 Section 29 Expenditure Summary - Alyeska

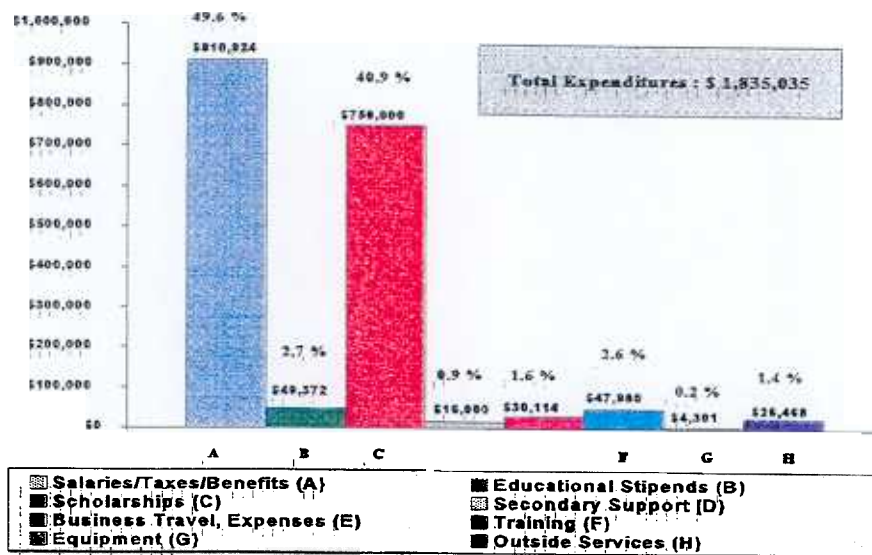
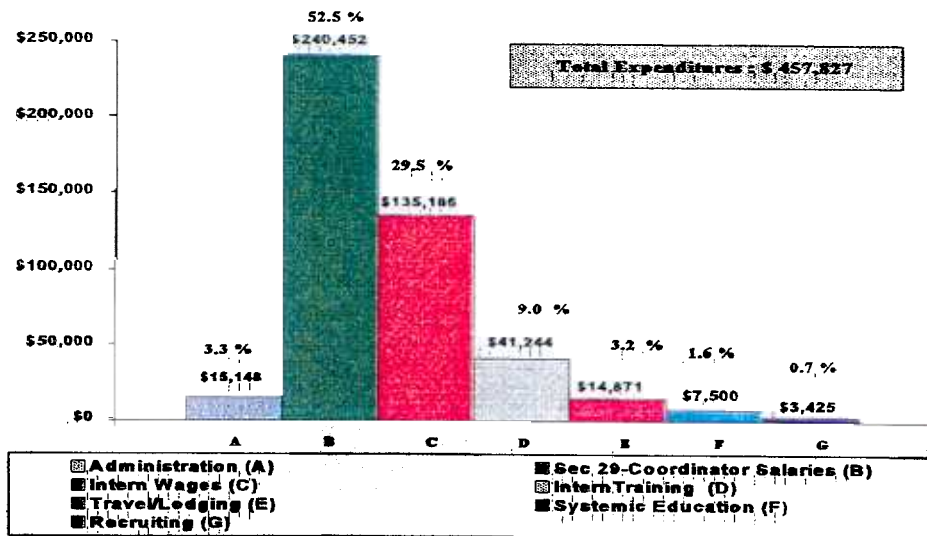


Table 9-3. 1996 Section 29 Expenditure Summary - Designated Contractors



Financial Guidelines For Reporting Section 29 Program Expenditures- The Alyeska Company-Wide Financial Summary for 1996 utilized summary totals from Alyeska's internal computerized tracking document AFE (Authorization For Expenditure -Master Files Listing). Alyeska attempted to breakout expenditures into some categories which were loosely related to the programs specified in the Agreement. The Designated Contractors expenditures were combined and reported by Alyeska as a lump sum total on the 1996 Financial Summary. Neither the 1996 Financial Summary

Alyeska as a lump sum total on the 1996 Financial Summary. Neither the 1996 Financial Summary nor the internal tracking document account for expenditures related to each of the specific Section 29 Programs of the Agreement. In addition, the AFE does not include any Designated Contractor expenditures.

Finding No. 37- Alyeska's 1996 Financial Summary summarizes and combines costs in such a way so as to preclude a meaningful evaluation of specific Section 29 Program expenditures.

Recommendation No. 37- Alyeska should prepare its Financial Summary Statement to separately identify both Alyeska and Designated Contractor expenditures for each program described in the Agreement before summarizing into total expenditures. The YTD Company-Wide Financial Summary for 1996 should be revised to incorporate the total expenditures for each program described in the Agreement.

Chapter 10. Management / Administration

Conditions Evaluated

Section 8 of the Alaska Native Utilization Agreement (Agreement) places responsibility for management and administration of the Section 29 Program under Alyeska's Human Resources Department. An Alyeska employee reporting to the Vice President of Human Resources is responsible and accountable for management and implementation of the Section 29 Program. The JPO Audit evaluated: 1) If Alyeska provides necessary resources to support implementation and continuation of the Section 29 Program and; 2) If an Alyeska employee reporting to the Vice President of Human Resources was accountable for management of the Section 29 Program;

Results

Resources To Support Implementation And Continuation Of Section 29 Program - Resources necessary to support implementation and continuation of the Section 29 Program can be divided into human resources (administrative staffing) and funding (administrative costs). These are further described below.

Administrative Staffing - In 1996 there were four positions assigned to administration and management of the Section 29 Program. These included: Section 29 Program Manager (100 percent); Senior Executive Secretary (approximately one-half time until June and then full-time); Business Advisor (approximately nine months); and Human Resources Specialist (approximately six months). In 1997 Alyeska will employ a Section 29 Manager (100%); a Senior Human Resources Specialist (one-half time) to work with Designated Contractors; and two support staff (both one-half time).

In interviews with previous Section 29 staff, all expressed concern about the potential adverse impacts that the Alyeska reorganization could have on the success of the Section 29 Program. Many felt that excellent relationships had been developed within Alyeska and with personnel at the Designated Contractors. These relationships will take time to re-establish. Previous Section 29 staff felt that there were not enough staff allocated to the Section 29 Program and were concerned that there would be less in the future. They were particularly concerned about the number of support staff, need for a full-time person to work with Designated Contractors, and personnel allocated to follow-up on scholarship awards and secondary support work. Based on other experiences the audit team has with start-up for various Alyeska programs, the team believes these concerns have validity.

Finding No. 38- Several employees expressed belief that the Section 29 Program is still new and evolving, and that it needs significant support to be a success.

Recommendation No. 38- Alyeska should evaluate resources assigned to the Section 29 Program. Insufficient resources may be allocated to the still-developing Section 29 Program.

Administrative Costs - In response to a request from JPO, Alyeska provided a "Section 29 Year to Date (YTD) Company-Wide Financial Summary" for calendar year 1996. This summary formed the basis for an evaluation by the audit team of Section 29 administrative costs in 1996. Alyeska reported spending \$1,835,035 on the Section 29 Program in 1996. (Designated Contractors expenditures were reported as an additional \$457,827.) Based on additional research by the audit team, the total administrative cost for the Section 29 Program in 1996 is estimated at \$315,062. This equates to an administrative cost of approximately 17 percent of the total Alyeska expenditures for the Section 29 Program.

Finding No. 39 - Administrative costs for the Section 29 Program as reported to the JPO accounted for approximately 17 percent of the total 1996 expenditures. This level of administrative costs is deemed reasonable.

Recommendation No. 39- Future Section 29 Program financial reports should clearly break out the administrative costs of operating the Program, as opposed to those costs directly related to employment or training of Alaska Natives.

Program Manager Accountability - The Section 29 Program Manager reports to Alyeska's Vice President of Human Resources, who reports directly to Alyeska's President.

Finding No. 40- The Section 29 Program Manager is fully accountable for the success of the Section 29 Program.

Recommendation No. 40- The Alyeska Section 29 Program Manager also should be a strong advocate for Alaska Native utilization both within Alyeska and with the Designated Contractors.

Administrative Records - The Section 29 Program files are located in the Human Resources Department and are physically accessible to any person in the area. While conducting the audit, audit team members were never confident that all records were available at the time of their review. Subsequent reviews of the files revealed additional source documents that had not been located previously. In several instances, financial and credit reporting data were located in the files with the same periodic ending dates, but containing totally different financial and accounting data. JPO audit team members had difficulty in determining the most accurate, current, or proper documentation to support the 1996 Compliance Measurement Report and YTD Company-Wide Financial Summary.

Finding No. 41- Currently, there is no check-in or check-out system for the Section 29 files.

Recommendation No. 41- The Section 29 Program files need to be organized into a system which protects privacy of individuals and allows tracking of the individual sections/programs of the Agreement.

Chapter 11. Advisory Board

Conditions Evaluated

Section 9 of the Alaska Native Utilization Agreement (Agreement) requires Alyeska to establish an Advisory Board “to provide advice and counsel regarding the operation of the program, assess the success of the program in achieving the agreed goals, make recommendations for change and improvement, and to further report annually to Alyeska management on the overall effectiveness of the program.” The Advisory Board is composed of Alyeska representatives, and representatives of Alaska Native organizations.

Results

Alyeska has established the Advisory Board in accordance with guidance found in the Agreement and the Initial Plan of Implementation. The Advisory Board met quarterly in 1996. Board members who were not Alyeska employees initially perceived a lack of information-sharing within the Board and from Alyeska. Program information was presented to the Board, but no analysis of financial data or interpretation of Human Resource program information was provided. Current Advisory Board members believe their advice regarding overall operation of the Section 29 Program was considered by Alyeska, and will continue to be considered. Board recommendations were incorporated into the Initial Plan of Implementation. No annual report was generated by the Board to Alyeska management regarding the overall effectiveness of the Section 29 Program.

Finding No. 42- Alyeska has established the Advisory Board and is in compliance with that portion of the Agreement.

Recommendation No. 42- Alyeska needs to clearly communicate to the Advisory Board all relevant Section 29 Program information so that the Board can fulfill its mission “to provide advice and counsel regarding operation of the Program, assess success of the program in achieving the agreed goals, make recommendations for change and improvement, and to further report annually to Alyeska management on the overall effectiveness of the Program.” The chair of the Blue Ribbon Panel and the Section 29 Program Manager should be included as members of the Advisory Board so there is a strong communication link between education and employment.

In order for the annual report to be effective, it must contain accurate information on all developmental educational programs (loanees, interns, scholarships, sabbaticals, secondary support, and educational assistance), status of Alaska Native demographics within Alyeska and the Designated Contractors, a general progress report, and specific recommendations for change and improvement.

Appendix A. Section 29- Training of Alaska Natives

Section 29 of the 1974 Federal Agreement and Grant of Right-of-Way for the Trans-Alaska Pipeline states:

“A. Permittees shall enter into an Agreement with the Secretary regarding recruitment, testing, training, placement, employment, and job counseling of Alaska Natives.

B. During construction and operation of the Pipeline System, Permittees shall conduct a preemployment and on-the-job training program for Alaska Natives designed to qualify them for initial employment in connection with the Pipeline System and for advancement to higher paying positions thereafter.

C. Permittees shall do everything practicable to secure the employment, in connection with the Pipeline System, of those Alaska Natives who successfully complete Permittees' training program. Permittees shall inform the Authorized Officer of the discharge from such employment of each and every Alaska Native and of the reason therefor, in advance of such discharge whenever possible or, if advance notice is impossible, as soon thereafter as is practicable.

D. Permittees shall furnish such information and reports concerning Alaska Native employment as the Authorized Officer shall require from time to time.”